ENUGU STATE GOVERNMENT

REPORT OF THE

2020 DEBT SUSTAINABILITY ANALYSIS

DECEMBER, 2020

PREFACE

The 2020 Debt Sustainability Analysis (DSA) is the first official detailed debt sustainability analysis of Enugu State Government to be documented.

The document is a product of the Enugu State Debt Management Office assisted by the office of the State Accountant General, Ministry of Budget and Planning, Ministry of Finance and Economic Development at large, State Internal Revenue Service, and Enugu State Bureau of Statistics.

The inputs from these Ministries, Departments and Agencies contributed immensely in making the Enugu State 2020 Debt Sustainability Analysis a complete whole and a veritable tool for the state fiscal planning.

INTRODUCTION.

The Enugu State 2020 Debt Sustainability Analysis (DSA) analysis trends and patterns in the state public finances during the period 2015 - 2019. The analysis highlights recent trends in revenue, expenditure and public debt and the related policies adopted by state. A debt sustainability assessment is conducted including scenarios and sensitivity analysis in order to evaluate the prospective performance of the state public finances.

From the result of the Debt Sustainability Analysis the State 2020- 2029 outlook exhibits a solid debt profile that appears sustainable. This solid debt position results from the state's strong performance in terms of mobilization of Internally Generated Revenue (IGR) underpinned by the successful tax reforms introduced recently by the State Internal Revenue Service and enhanced by the State Fiscal Transparency Accountability and Sustainability (SFTAS) encouraged property tax collection mechanism. While holding expenditure almost constant.However for the past five years 2015-2019, the state has designed and implemented an aggressive internally generated revenue IGR policy which has be yielding dividends.

STATE FISCAL AND DEBT FRAMEWORK

For the past five years , 2015-2019, the State has designed and implemented an aggressive Internally Generated Revenue (IGR) policy which has been yielding dividends. This is evidented by the consistent growth witnessed in IGR within the last five years. It is expected that the growth in the IGR will continue in future having into bear the current on-going application of Geographical Information System (GIS) by the SFTAS programme to improve state property records for taxation.

However the recent national minimum wage increase in 2020 is likely to affect the expenditure pattern from 2020 onwards especially total wage and bill payable.

The State MTEF upon which assumptions for revenue and expenditure patterns inherent in the COVID-19 compulsory expenditure is manifested in the 2020 amended budget or fiscal outcome, and includes,

- Negative impact both in revenue and expenditure of COVID-19 on the Nigeria economy.
- Sudden change in oil price for USD 57 per barrel to USD 25 per barrel
- Reduction in oil production estimate for 2.18 Million barrels per day to 1.80 million barrels per day
- USD exchange rate from 305/USD to N360/USD.
- Real GDP growth of 2.93 percent to -4.42 percent.
- Inflation rate from 10.81 percent to 14.13 percent.

Source. FMBNP

The main feature of the 2020 amended budget due to the COVID-19 pandemic includes

- Reduction of the statutory FAAC allocation from N51,250,070,000.00 to N32,637,770,001.00 equivalent to 36.32%
- Increase in VAT receipts from N6,648,042,381.00 to N20,648,042,381.00 due to increase of VAT from 5% to 7.5% from February 2020.
- Decrease in internally generated revenue from N28,435,958,300.00 to N18,500,000,000.00 representing a decline by 34.94%.

- Aids and Grants was increased from N6,150,000,000.00 to N19,390,000,000.due to expected grants from SFTAS programme in the year.
- Other capital receipts (Public private Partnership) was reduced by N100, 000,000.00 or 4.76% to be N2,000,000,000.00 In the revised 2020 budget.
- The internal/domestic loan for the state declind to N16,029,005,000.00 from N32,745,100,000 while external loan in the original budget was revised upwards by 8.59% or from N8,673,500,000 to N9,418,000,000.00 due to reclassification of N745,100,000.00 in the approved 2020 budget for 3rdNational Urban Water Sector Reform Project in the 2020 approved budget as external loan in the revised 2020 budget since AFDB has disbursed the fund.

Other feature in the revised budget include.

-Increase in personnel cost from N23, 146,000,000.00 to N26, 926,000.00 due to new minimum wage.

-Decrease in overhead expenditure from N27, 181,141,000.00 to N23, 910,140,000.00

-Increase in internal payment on debt service or public debt charges from N2,820,000,000.00 to N3, 320,000,000.00

-Decrease in capital expenditure N100, 767,658,300.00 to N76, 584,641,080.00 or 24%.

In total the 2020 approved budget or budget envelope declined from N169, 557,658,300.00 to N146, 374,641,080.00 or 24%.

The State medium term expenditure framework MTEF for year 2021 to 2023 is based on the following Macro-Economic framework

ITEM	2021	2022	2023
National GDP ……………………………...	3%	4.68%	3.89%
National Inflation ………………………….	11.95%	10.94%	11.02%
NGN USD exchange rate ……………………	360	360	360
Oil Price Benchmark …………………………	40	40	40
Oil Production Benchmark …………………..	1.86	2.09	2.38

Based the above assumptions revenue forecast for the years 2021 to 2023 were made, viz statutory allocation FAAC, VAT, Internally Generated Revenue (IGR), grants, internal and external loans and other revenues.

Also made were expenditure forecast for personnel, overheads, subvention to parastatals and MDAs and capital expenditure.

STATE REVENUE AND EXPENDITURE 2015-2019

Revenue:

As a major component of revenue to the state, gross statutory allocation was N28, 306.36 m in 2015 which declined to N20, 511.98m or a reduction by 27.54% in 2016 due to recession. This amount in 2015 almost stabilized in 2017 at N28, 101.95m and increased in 2018 by 60.74% or in aggregate amount N45, 169.77m.

The FAAC declined again in 2019 to N41, 409.78m due or by 8.32%. The variability in the growth rate may be attributed to changes in oil revenue

In 2015 the IGR as a component of the gross revenue was N17, 982.23m while in 2016 the revenue heads declined to N14, 285.51 or -20.84%. In 2017 the same IGR increased by 54.82% or an increase to N22, 039.06m. In 2018 it went down to N21, 743.01m or a reduction by 1.34% of the 2017 figure.

In 2019 the IGR was N31, 142.97m, an out turn of 43.23% from 2018 figure. The general good performance of the IGR in the last three years of 2017, 2018 and 2019 was as a result of innovation, in the state internal revenue service for efficient collection of internally generated revenue.

Grant have not been steady. In 2015 it was N2, 571.48m and 381m in 2016 . This showed a decrease of 51.86% from 2015 figure. In 2017 there was a further decrease for N381m to N2.20 m or 99.42%. In 2018 grant received amounted to N964.97 or an increase from the amount received in 2017 by N962.77m in numerical strength. By 2019 a further improvement in the grant received was witnessed as the figure increased from N964.67m to 1,647.91m showing a percentage increase of 70.77%. There appear to be unsteady, grant in 2016 to 2017 as grants are not determined by the State. Increase in the amount of grant received in 2019 was as a result of proceeds from the 2018 SFTAS Annual Performance Assessment received in 2019. The above explanations are represented in chart 1 below.

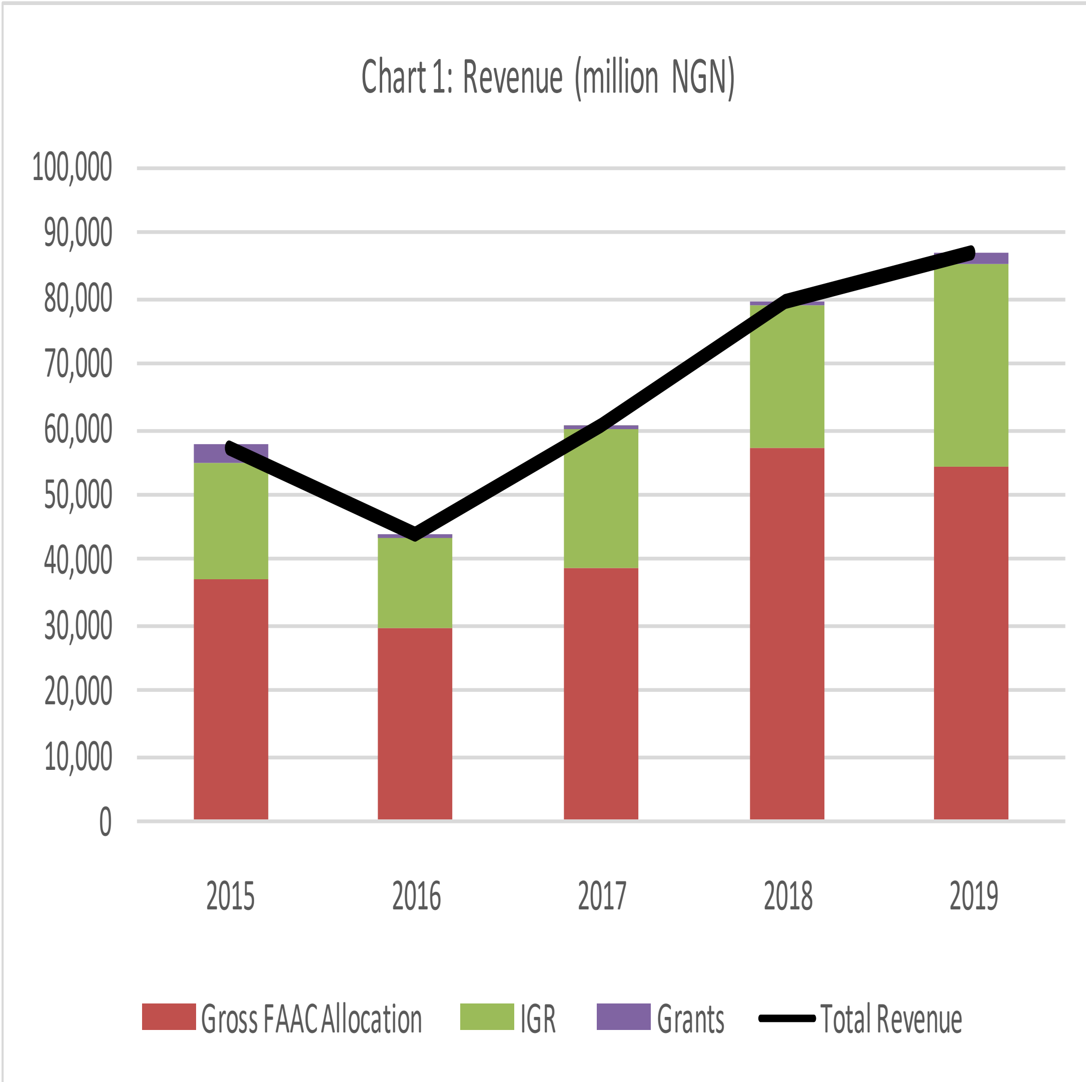


Chart 1: Revenue (million NGN)
100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
2015
2016
2017
2018
2019
Gross FAAC Allocation
IGR
Grants
Total Revenue

Expenditure :

Looking at chart 2, personnel cost appears to be constant in year 2015 and 2016. However, there was a slight increase from N23, 675.81m to N23, 796.93m or 51%. In 2017 the personnel cost paid dropped to N20, 335.74m. This was compensated in 2018 where the personnel cost went up to N27, 44.15m which may be attributed to cash/ accrual basis of accounting applied. The increase in personal cost between years 2017 and 2018 is 34.96%.

The 2019 figure of N23, 194.73m revert to about the same in 2015, and 2016 confirming the cash basis of accounting applied in 2017.

The trend for overhead expenditure depicts the period the nation entered into recession. In 2015 it was N18, 573.78m while in 2016 when the nation entered into recession, the overhead declined to N13, 500.69m or a decrease of 27.31%. Gradually in 2017 when the recession was about receding the overhead expenditure started to increase and was N16, 152.89m in 2017. This was an increase by 19.64% over the figure form 2017.

The overhead figure increased to N18, 102m in 2018, the year the nation came out of recession with an increase over 2017 overhead by 12.07%.

In 2019, an election year, the overhead expenditure shoot up to N23, 64.99m and was even above the total personnel cost. This increase by 30.06% over 2018 figure may be attributed to electioneering activity in 2019.

From the chart, the capital expenditure in 2015 was N21, 827,66m. This figure roe to N25, 983.66m in 2016 or by 19.04%. In 2017 and 2018 respectively, that was almost a stable amount spent on capital projects. Thus N33, 344.11m in 2017 and N32, 010.39m in 2018. The increase in 2018 from what it was in 2017 is 28.33%. There was a decrease in capital expenditure by N2,333.72m in 2018 when compared with the 2017 figure. In 2019 , an election year, the capital expenditure dropped to N24,912.05 m which one can say, was ‘compensated’ by the increase in overhead expenditure in the same year. There was a drop in the capital expenditure when compared with the 2018 figure to the tune of 22.18%

EXISTING PUBLIC DEBT PORTFOLIO 2015-2019

HISTORICAL DEBT STOCK (TABLE I)

S/Nº	DESCRIPTION	2015 ₦'000,000	2016 ₦'000,000	2017 ₦'000,000	2018 ₦'000,000	2019 ₦'000,000
1.	External Debt	14,078.68	18,618.27	36,141.66	38,737.26	40,424.00
2.	Domestic Debt	37,550.23	48,417.54	58,635.07	55,032.07	62,635.80
3.	TOTAL	51,628.91	67,035.81	94,776.73	93,769.33	103,059.80
4.	% of Domestic Debt	72.73	72.22	61.86	58.68	60.78
5.	% of External Debt	27.27	27.78	38.14	41.32	39.22
6.	$ Exchange Rate from Template	196	253	306	307	326

DEBT SERVICE 2015-2019 (TABLE II)

S/Nº	DESCRIPTION	2015 ₦'000,000	2016 ₦'000,000	2017 ₦'000,000	2018 ₦'000,000	2019 ₦'000,000
	DOMESTIC DEBT					
1.	Principal Repayment	62.67	308.77	372.02	7,844.33	1,296.97
2.	Interest Repayment	942.98	1,963.60	2,105.59	2,384.51	2,877.17
3.	**EXTERNAL DEBT**					
4.	Principal Repayment	186.20	270.71	272.34	297.79	508.56
5.	Interest Repayment	166.60	182.16	272.34	328.49	371.64
6.	GRAND TOTAL DEBT SERVICE	1,358.45	2,725.24	3,022.29	10,855.12	5,054.34
7.	TOTAL (PRINCIPAL Repayment)	248.87	579.48	644.36	8,142.12	1,805.53
8.	TOTAL (INTEREST Repayment)	1,109.27	2,145.76	2,377.93	2,713.00	3,248.81
9.	TOTAL EXTERNAL DEBT SERVICE	352.80	452.87	544.68	626.28	880.20
10.	PERSONNEL COST (as in template)	23,675.81	23,796.93	20,335.74	27,444.15	23,194.73
11.	FAAC allocation	28,306.36	20,511.98	28,101.95	45,169.77	41,409.78
		196	**253**	**306**	**307**	**326**

(USD$ to Naira Conversion rate as contained in the template)

The State public debt includes the explicit financial commitments like loans and securities that have paper contracts instrumenting the government promises to pay. As can be deduced from the tables (I and II) above, the State's public debt has been on the increase annually from 2015. All figures in multiples of million; the State public debt was ₦51, 628.91m. This figure went up to ₦67, 035.81m in 2016; a difference of ₦15, 406.90m or 30.22% increase. In 2017 the year end stock of debt increased to ₦94, 776.73m, a net increase by ₦27, 740.92m or 29.27%.

However, in 2018, the year the State liquidated outstanding contractor's arrears the total public debt dropped slightly from the 2017 figure to ₦93, 769.33 or a decrease by ₦1,007.40m. In 2019, the public debt went up to ₦103, 059.80m showing an increase from the 2018 amount by ₦9, 290.47m.

The general increase in the public debt in the period under review may be attributed to low FAAC receipts and the recession which the nation entered in 2016 and gradually came out in 2017 through 2018. It is worthy of note that the State liquidated its arrears owed to contractors in 2018 hence the sharp drop to ₦93, 769.33m.

When the yearly debt stock figure are compared with the annual revenue, over the period of 2015 to 2019, the results show that revenue figure for 2015 exceeded the total public debt by only ₦6,039.46 in million of Naira. For 2016, the trend changed may be due to recession and fall in oil receipts. The public debt in 2016 was above the revenue by ₦22, 764.62m and in 2017 public debt exceeded the total revenue by ₦33, 745.55m.

Though in 2018, the total revenue picked public debt still exceeded the total revenue by ₦13, 639.39m.

In 2019, the debt stock exceeded the total revenue by ₦41, 558.15 in millions of naira.

In broad terms, by the end of 2019, (Table II) the total domestic debt was N62, 625.80m while external debt was ₦40, 424.00m showing a ratio of 60.78%:39.22%.

For domestic debts, specifically pensions and gratuities accounted for ₦23.53% while budget support facility was 17.01% of the total debt stock by end of year 2019. In the same year, excess crude backed loan accounted for 8.33% and restructured commercial bank loans (FGN Bond) was 5.45% of the total debt stock. Salary Bail-Out facility was 3.71% of the total debt stock which Micro Small and Medium Enterprise Development Fund (Owed to CBN) accounted for 1.56%. Counterpart Fund Loans from commercial bank for external loan participation remained at 0.69% giving a total percentage for domestic debts of 60.78%.

By the end of 2019, the state had only two subheads for external debts Viz: Debts from International Development Association (World Bank), (IDA) and French Agency for International Development (AFDI). The IDA loans accounted for 37.17% of the debt stock by 2019 year end while AFDI loan was 2.05%.

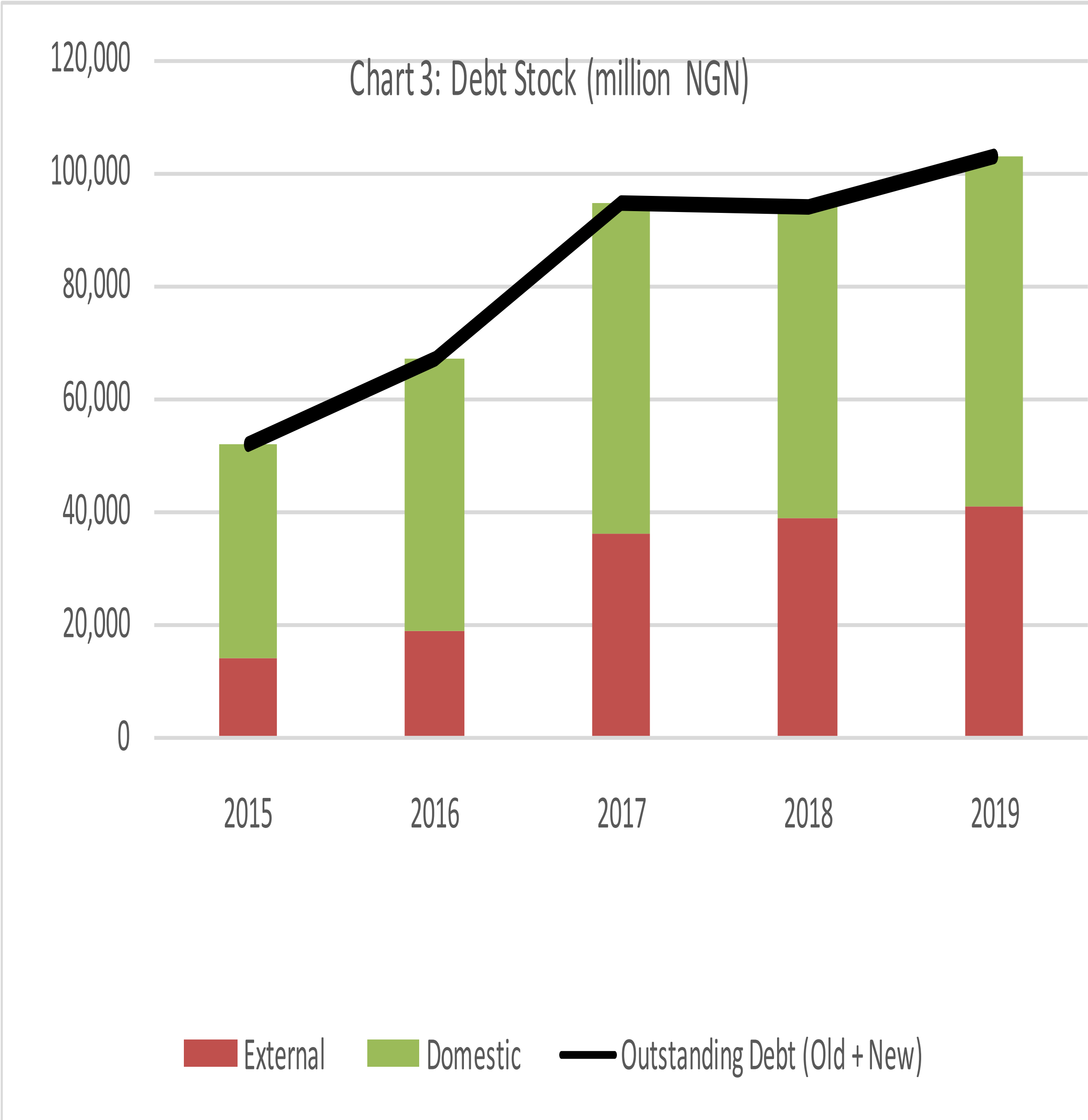


Chart 3 shows two distinct sections: Domestic debt and external debt.

Domestic Debt.

In 2015, the outstanding domestic debt was ₦37, 55.23m. In 2016, the figure rose to ₦48,417.54m or an increase by 28.94%. In 2017, the domestic debt rose to ₦58, 635.07m or an increase from 2016 figure by 21.10%. In 2018, the domestic debt dropped to ₦55, 032.07 a decrease by 6.14% which may be attributed to the total clearance of contractors' arrear of the State Government. The domestic debt started to rise again in 2019when it hit ₦62, 635.80m, showing an increase from 2018 figure by 12.14%.

Generally, the gradual increase in the domestic debt can be attributed to the rate unpaid pension and gratuities accumulate, when compared with the rate retiree’s gratuities and for outstanding pensions are paid out.

External debt.

It is worthy of note that the greater percentage of the state external debt is from IDA (International Development Association (World Bank). Only about 1.42% on the average has been the outstanding bilateral loan for Agencies FrancaisDu Development Internationale (AFDI). As shown in Chart 3, the state’s total external debt was $71.83m. In 2016, due to on-going World Bank projects in the state, the figure went up to $73.59m, an increase by 2.45%. By 2017, when the state commenced effectively the draw down for the NEWMAP and RAMP projects (Nigeria Erosion and Water Shed Management Project and Rural Access and Mobility Projects), the total external debt jumped to $118.11m or by 60.50 % over the 2016 figure. The draw down started in 2017 continued in 2018 which led to the total external debt to be $126.18m or an increase by 6.83% of the preceding year figure. The total external debt by 2019 as shown in the graph is $124.00m, a decrease by 1.73% of the 2018 figure.

DEBT SUSTAINABILITY ANALYSIS

The concept of debt sustainability analysis refers to the ability of the state government to honour its future financial obligations. Since policies and institution governing spending and taxation largely determine such obligations, debt sustainability ultimately refers to the ability of the government to maintain sound fiscal policies over time without having to introduce major budgetary or debt adjustments in the future.

Conversely, fiscal policies are deemed unsustainable when they lead to excessive accumulation of public debt, which could eventually cause the government to take action to address the unwanted consequences of a heavy debt burden.

Debt Burden Indicators and Enugu State Government Performances (historical and forecast).

DEBT BURDEN 2015-2019 WITH THRESHOLDS (Table III)

S/№	DEBT BURDEN INDICATORS	% THRESHOLD	ENUGU STATE PERFORMANCE				
			2015	2016	2017	2018	2019
1.	Debt/GDP	25%	-	-	-		
2.	**Debt/Revenue**	**200%**	89.53%	151.42%	155.29%	117.29%	116.45%
3.	Debt Services/Revenue	40%	2.35	5.33	4.95	13.55	5.71
4.	Personnel Cost/Revenue	60%	41.06	53.75	33.32	34.25	26.21

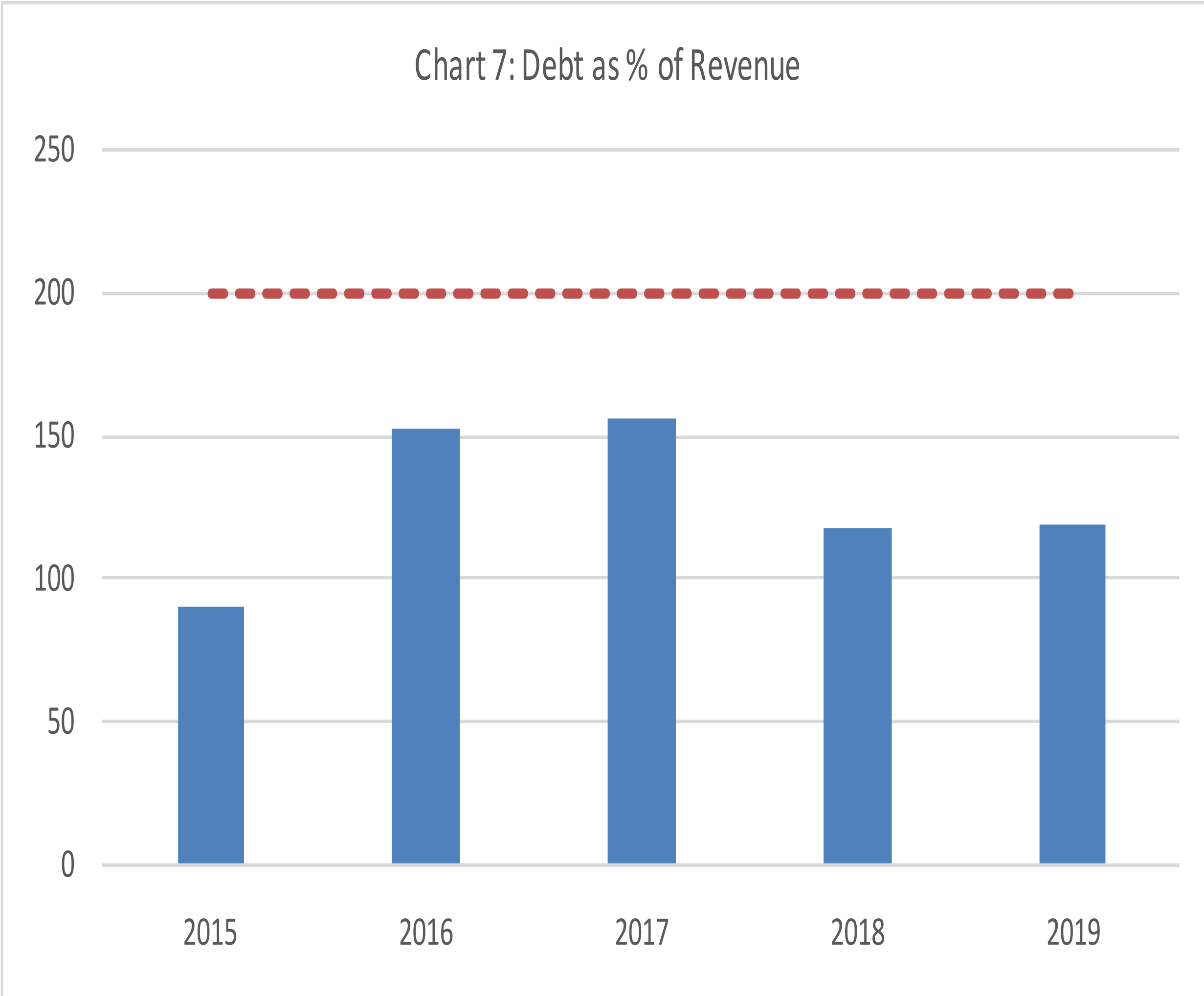


Chart 7: Debt as % of Revenue
250
200
150
100
50
0
2015
2016
2017
2018
2019

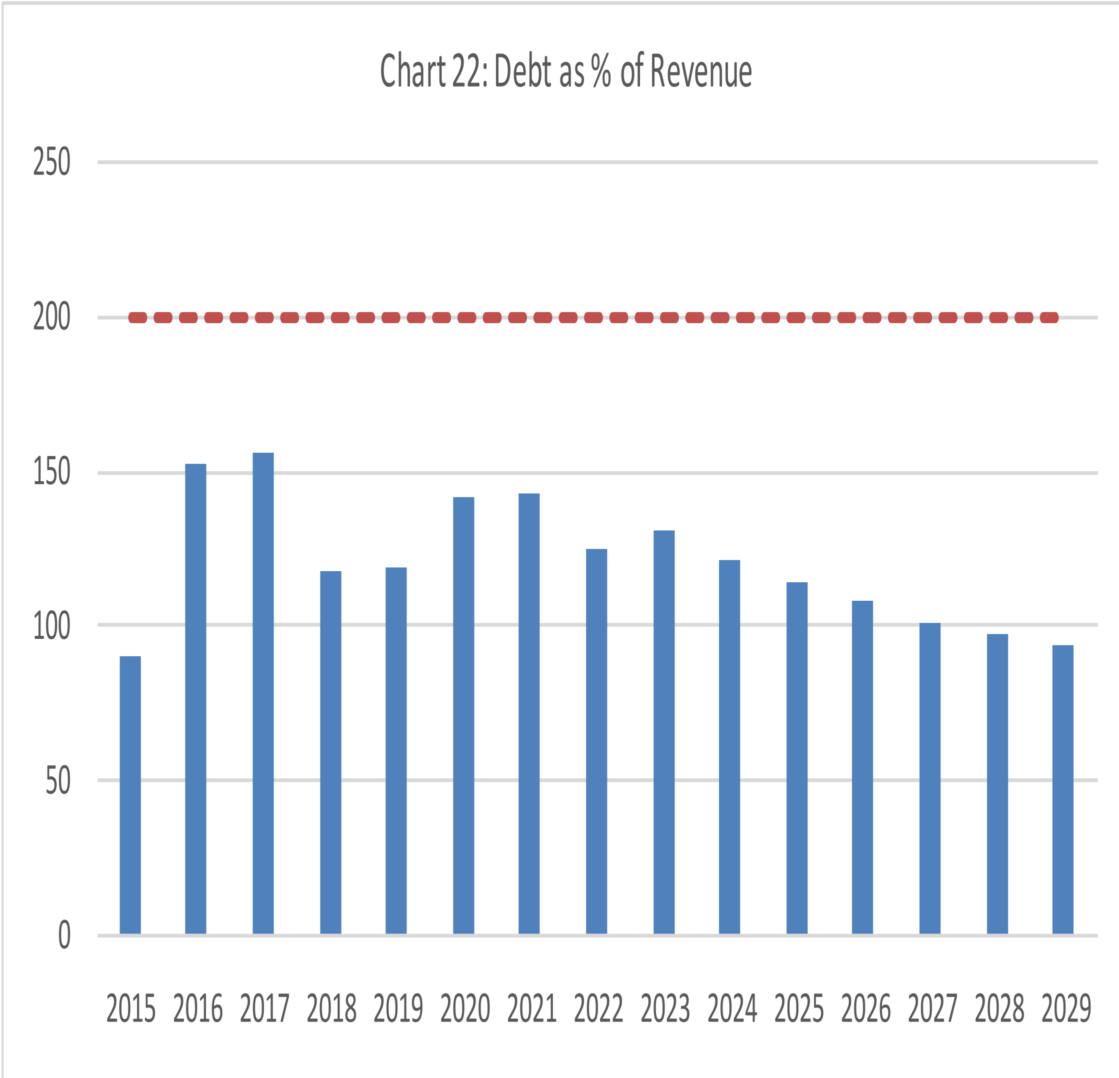


Chart 22: Debt as % of Revenue
250
200
150
100
50
0
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029

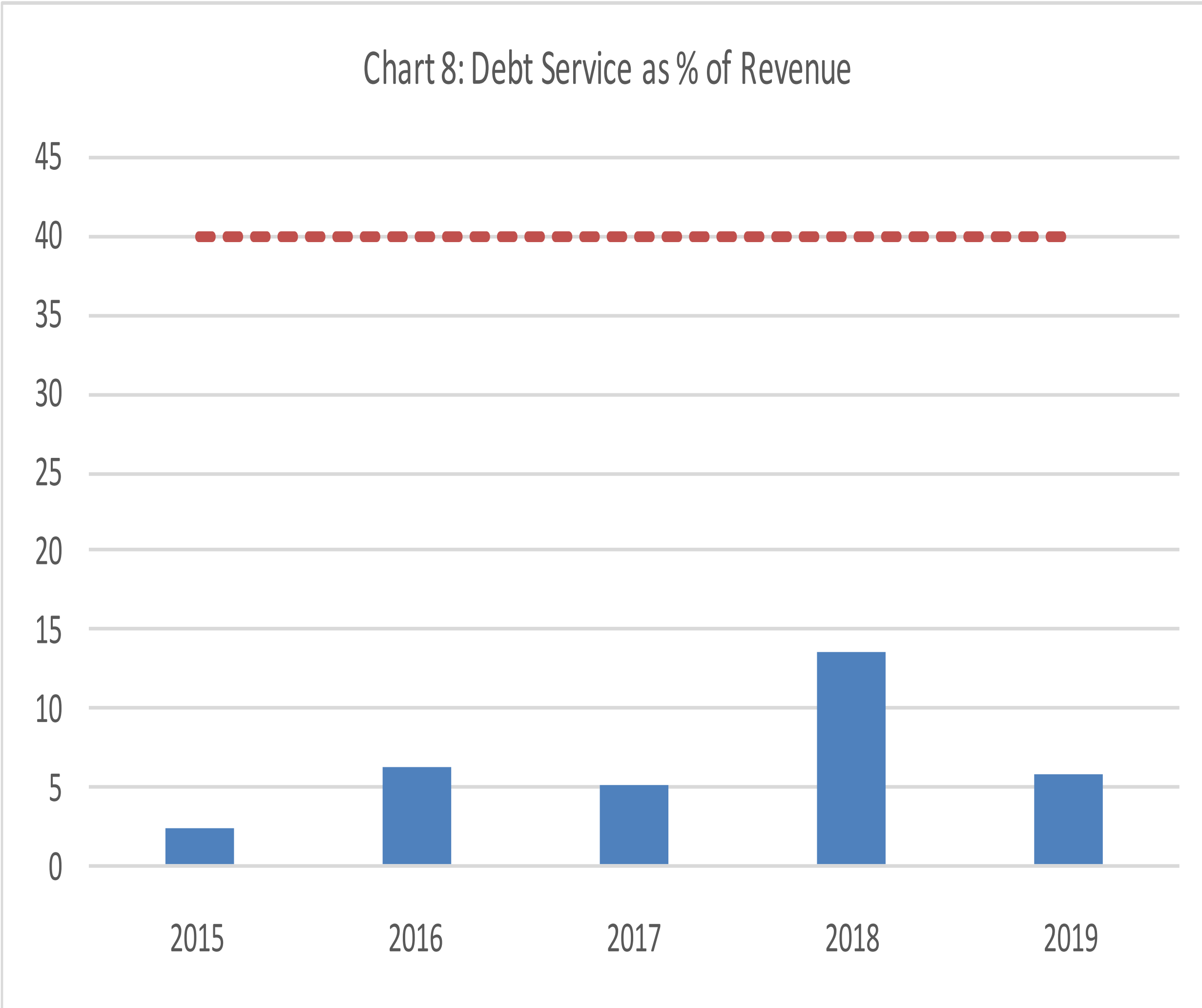


Chart 8: Debt Service as % of Revenue
45
40
35
30
25
20
15
10
5
0
2015
2016
2017
2018
2019

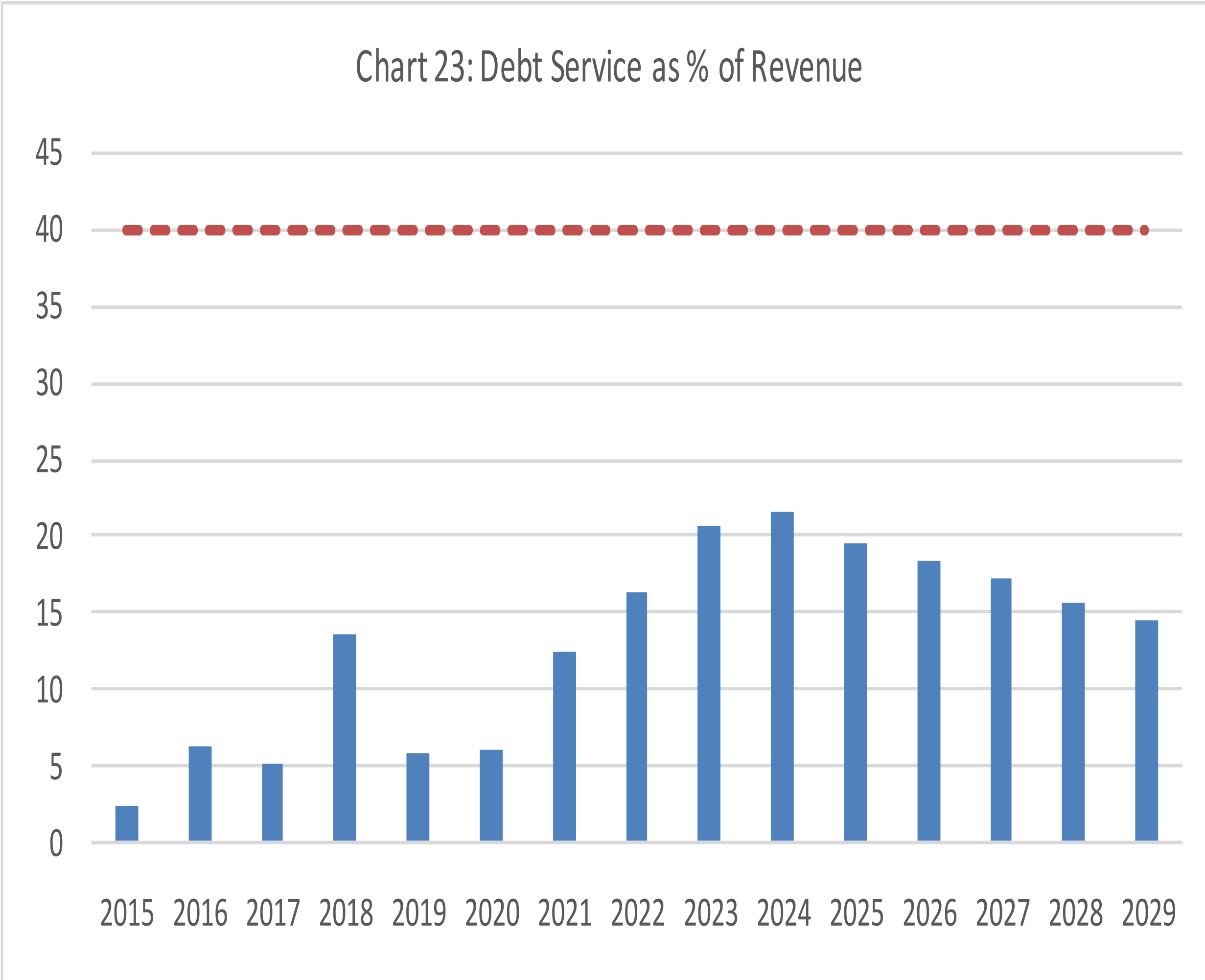


Chart 23: Debt Service as % of Revenue
45
40
35
30
25
20
15
10
5
0
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029

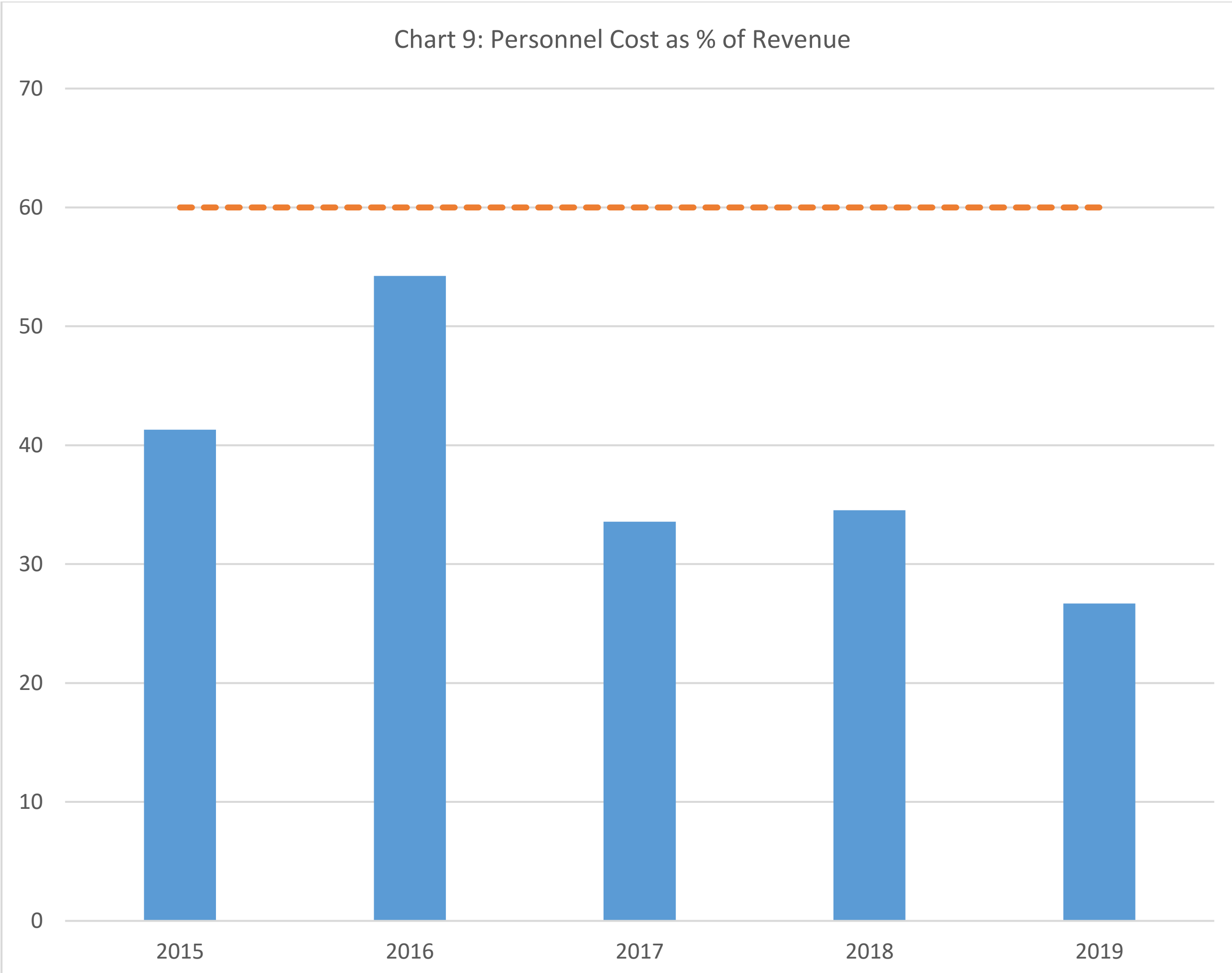
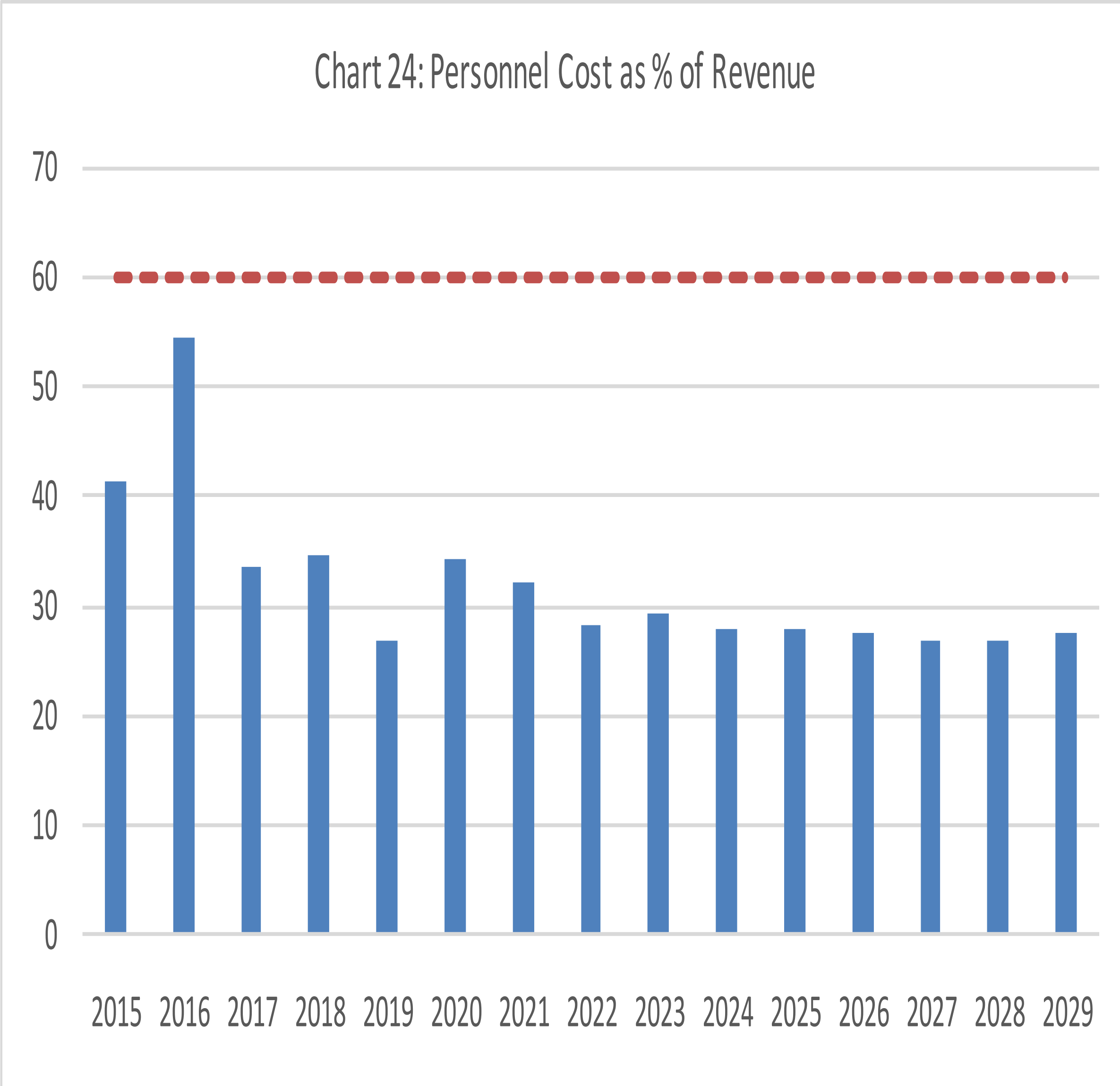


Chart 9: Personnel Cost as % of Revenue
70
60
50
40
30
20
10
0
2015
2016
2017
2018
2019



Figures from Tables I and II were used to analyse the debt burden indicators for the State from 2015 to 2019.
The presentations in table III are further well illustrated in the chart below:
Charts 7 (Debts as a percentage of revenue) Chart 8 (Debt Services as a percentage of revenue) Chart 9 (Personnel Cost as a percentage of revenue).
The computations and the charts show that Enugu State Government public debt was sustainable through out 2015 to 2019.

From the forecasts made, Charts 22, 23, and 24 lay credence that Enugu State Government debt burden will be sustainable within the planned period 2020 to 2029.

MEDIUM-TERM BUDGET FORECAST

The States' medium term debt sustainability is predicated upon a gradual recovery of the Nigeria economy that will increase FAAC statutory allocation. According to the Federal Governmentand the State's forecasts, the Nigeria economy is expected to gradually recover in period 2021-2023 with real GDP expanding at an average annual rate of 3% and domestic inflation decreasing below 10% by 2023 through 2022. Such moderate recovery will be supported by higher oil price in global markets, an increase in domestic product; prudent fiscal policy and the stabilization of exchange rate relevant for international public sector financial transactions at its current level. Oil and gas revenue as well as shared resource such as custom duties and VAT would then increase relative to the depressed levels observed in 2020, thus, improving the states revenue portion.

The State's debt sustainability analysis is also predicted on the continuation of recent efforts to mobilize local revenue sources, and on uncharged policy concerning personnel and other operating expenses.

In the state level, the tax administration reforms adopted by the state Government to strengthen resources provided by IGR, are expected to continue in the next few years and will benefit from the overall economic recovery. On the other hand, no new policies are anticipates with regard to personnel and overhead cost, which are thus likely to preserve the historical trend.

BORROWING OPTIONS

In the years 2021-2029 the state Government intends to borrow annually to cover the fiscal gap anticipated to emanate from financial gap in the budget.
In accordance with the State Multi-year 2021 budget and the forecast made ₦10, 938.00m will be sourced from commercial bank while $14.52m is expected from external loan to finance 2021 budget deficit. There is also an exception that ₦9, 070.14m deficit will crystallize as budget deficit in 2022 which will be financed through commercial bank –₦7, 213.00m and $4.90m externally. The ₦13, 227.6m deficit expected in 2023 will be financed through the issuance of state bond ₦6.5m and ₦5.00m from commercial. This will be augmented by $4.55m expected to be the draw down from foreign loan whose subsidiary loan agreement has been signed by the State Government with the Federal Government.

It is expected that in 2024 ₦7.00m shall be sourced through commercial banks while $7.54m is expected to come from external loan to finance the expected total budget deficit of ₦9.85766m. ₦8.41305m is expected to be the financing deficit in 2025 and this will be financed by ₦5.4m expected from commercial banks and $7.95m as draw down from external loan.

2026 budget deficit is expected to be ₦7, 124.94m in total and is expected that ₦4.3m will be sourced from commercial bank while $7.45m from external loan will make up the required amount.

By the forecast and planning, it is expected that a total of ₦6.13346m will be borrowed in 2027. It is also expected that ₦3,200.00bn will be sourced from commercial bank while $7.74m is expected to come from external source.

In 2028, that is approximately ten years time, the state may require a total borrowing of ₦6, 032m according to the forecast. This sum is expected to be sourced from commercial bank-₦3, 000,00m and $8.00m will come external source.

From the projections made the Enugu State Government is expected to borrow a total sum of ₦5, 925.60m in the year 2029. While ₦3, 500.00m is expected to be sourced through issuance of State bond the balance is expected to be sourced externally-$6.40m.

Borrowing Terms: Over the period of forecast 2020-2029, sources of funds from the domestic front comprises loans from commercial banks and issuance of state bonds. Commercial bank interest rate are expected to be at a maximum of 15% with minimum of 3 years maturity and no moratorium period to repay the principal.

Also State bonds of higher maturity for at least 6 years with no moratorium and interest rate at a maximum of 13% are expected to be issued in the forecast period.

DEBT SUSTAINABILITY ANALYSIS SIMULATION RESULTS

Baseline scenario: From the simulation results on revenue, expenditure and financing needs 2020-2029, it is expected that proceeds from debt or borrowing would amount ₦5, 433.08m which will form part of the capital receipts in 2020 the same year to prosecute the budget. In 2021, the forecast shows that borrowings will jump to ₦16, 486.43m with grants and sale of Government assets to enable the government carry out its financial needs. The same trend continued just as in the total planned borrowing in the data request input.

The expenditure trends the same pattern as in the input data request. From the baseline outlook (variables in percentage), the forecast State debt as percentage of total revenue 2020: 141.93%, 2021: 142.72%, 2022: 125.47%, 2023: 130.47%, 2024: 121.25%, 2025: 114.91%, 2026: 108.66%, 2027: 101.49%, 2028: 97.87% and 2029: 93.21%. All the percentages are as against the 200% threshold for state total debt to total revenues.

Generally in the baseline scenario, the State preserve debt sustainability. Total revenue (including grants and excluding other capital receipts) is projected to increase from ₦88, 501.65m in 2019 to ₦112.59m by 2029 (chart 16). Total expenditure will expand from ₦78.20186m in 2019 to ₦102.500m in 2029 (chart 17).

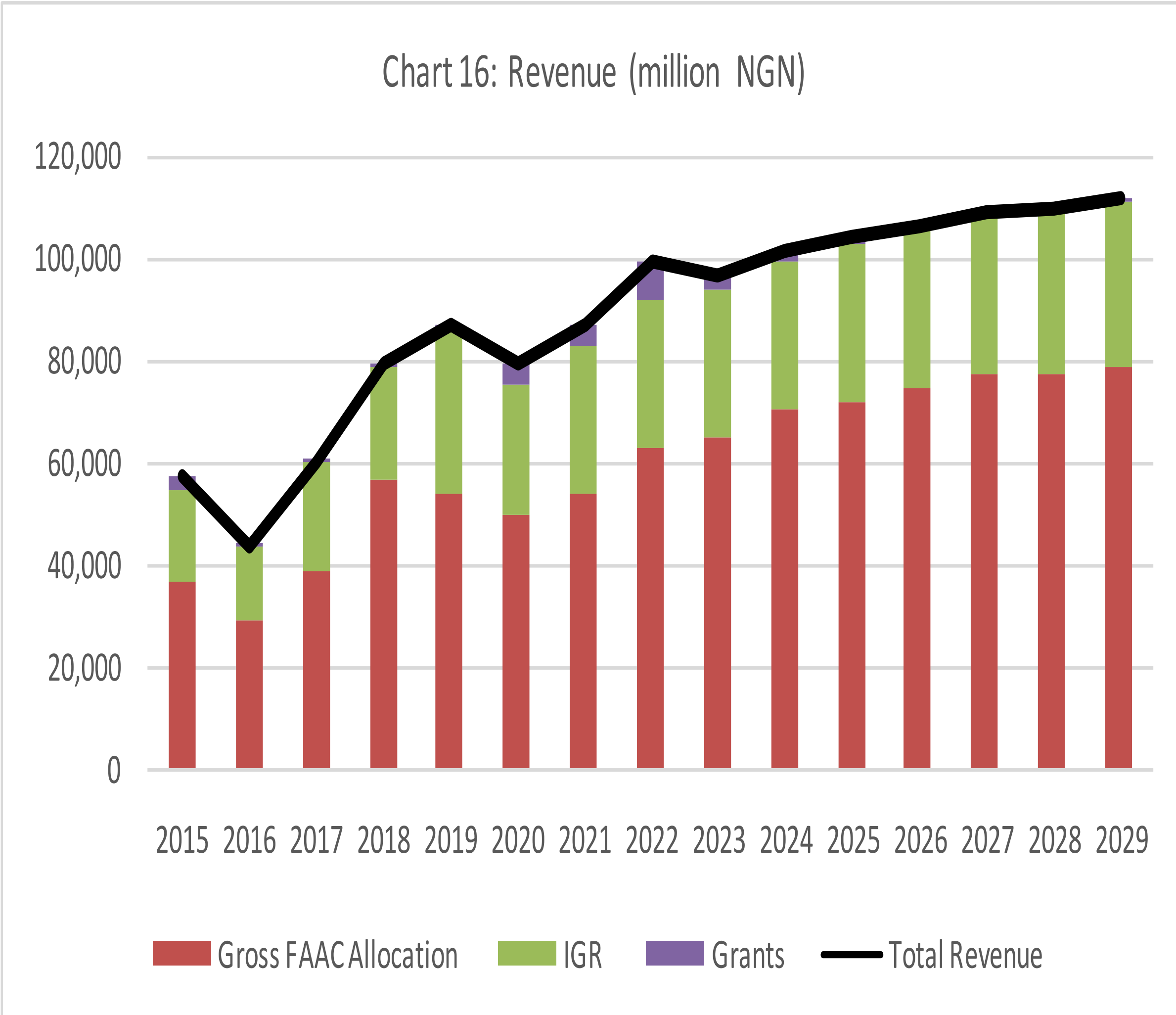
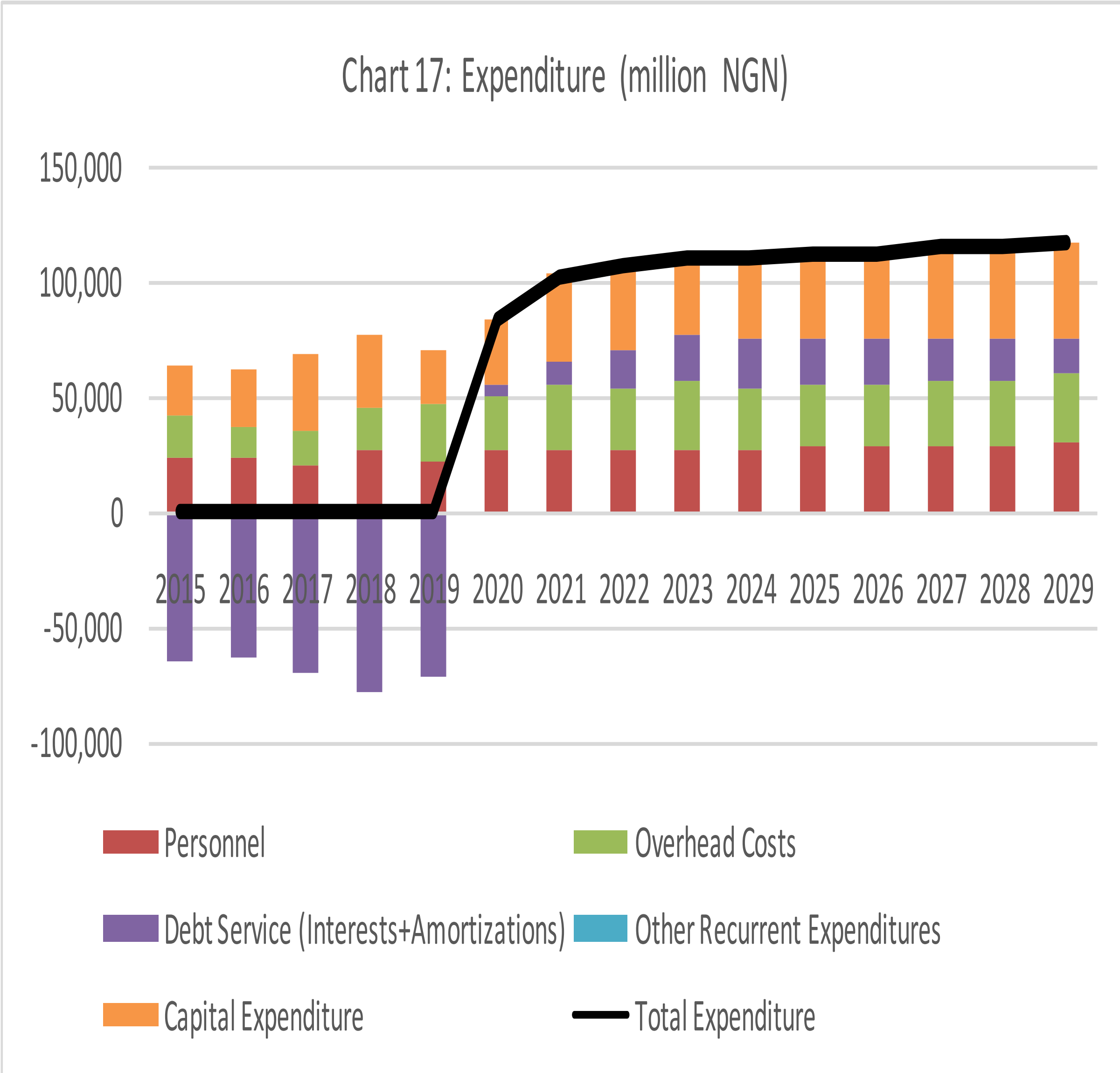


Chart 16: Revenue (million NGN)
120,000
100,000
80,000
60,000
40,000
20,000
0
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
Gross FAAC Allocation
IGR
Grants
Total Revenue



Therefore, the fiscal deficit computed as the difference between revenue and expenditure is expected to remain with a range of ₦24.089m to ₦24.298m in nominal terms.

As a consequence of the modest increase in investment and external borrowings, the public debt will decline and the states repayment capacity will accordingly (chart 22). Debt is project to decline from ₦103.059m as of end 2019 to ₦69.44m. Relative to the state repayment capacity, the public debt portion will improve. It is expected that revenue will increase from ₦88.501m as at end of 2019 to ₦102.500m in 2029.

FAAC ALLOCATION, VAT, IGR AND GRANTS SENSITIVITY ANALYSIS

In the sensitivity analysis, it has been shown that a shock by only 10% reduction in revenue projection FAAC allocation,VAT, IGR and grants shall result to gross borrowing needs of the state to rise from ₦25.196m in 2021 to ₦35.539m in 2029 through ₦19.86m in 2022, ₦24.643m in 2023, ₦22.506m in 2024, N22.443m in 2025, N31.206m in 2026.

A shock by 10% in the forecast expenditure (personnel overhead, other recurrent expenditure and capital expenditure) indicates that the borrowing requirements for the state for 2021 shall be ₦25.826m through ₦19.279m in 2022, ₦24.164m in 2023, ₦21.244m in 2024, ₦21.197bn in 2025, and ₦30.451m in 2026 to ₦35.889m in 2029.

Thus the states debt sustainability is expected to largely deteriorate if the revenue/expenditure shocks were to occur as a result of both excessive deficits and diminished repayment capacity. The projected fiscal deficits increase systematically going forward and even double the imbalance expected by 2025 in the no-stock scenario. In addition, the public debt ratio grows up to the unsustainable levels in the next year.

Notably, therefore, a major risk for debt sustainability is the reversal of the state's successful revenues mobilization efforts and a failure to maintain current patterns of expenditure growth.